



February 13, 2023

**VIA Email & U.S. MAIL**

Ms. Sandra Benzer  
General Counsel  
University of Maryland Capital Regional Health  
110 South Paca Street  
Baltimore, Maryland, 21201

**Re: University of Maryland Capital Regional Health  
CON for Level III NICU Services**

Dear Ms. Benzer:

Commission staff has collaborated with the HSCRC on a review of the financial tables in the Certificate of Need (CON) application from University of Maryland Capital Regional Health (UMCRH) for the Level III NICU CON application. Comparison of Tables for UMCRH submitted in the Second Request for Post-Approval Project Change for UM Laurel Regional Hospital Conversion to FMF and the Tables presented on January 17, 2023 for the NICU Level III CON need reconciled. There are areas in the tables submitted which require follow up, and therefore please provide responses to the following questions:

Table F

1. Statistics as presented for the NICU have been advanced one year from those submitted for the Second Request for Project Change Laurel FMF (Laurel) for both historical volumes and projected volumes. Please reconcile and advise if the statistics and/or dollar value projections need to change for the NICU CON.

Table G

2. Values as presented for 2021 and 2022 are equal to that submitted for Laurel, however projected values for 2023 thru 2027 differ from that submitted for Laurel. Please reconcile and advise if values need to change for the NICU CON.
3. Projected interest on current debt and projected current depreciation for the NICU are materially higher than that projected as submitted for Laurel. Please reconcile.
4. Projected top line revenues are to contract in 2026, 2027, and 2028. Such contraction is not discussed in the assumptions. What is the nature of the contraction?
5. Projected performance improvements for the NICU in 2024 thru 2027 are equal to that submitted for Laurel, however 2028 has been added for the NICU with \$45.3M in

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- cumulative savings, nearly 30 percent of which are undefined. Please discuss the realizability of such savings.
6. The average projected operating income for 2025 thru 2027 is a 1 percent increase with performance improvements and averages a -8.5 percent loss without performance improvements. The realizability of savings as presented is essential to the viability of UMCRH, regardless of the NICU. Please discuss the steps to achieve these realized savings.
  7. The 2022 audit report for University of Maryland Medical System Corporation (as included in the Easton CON Application) with consolidating balance sheet by division, by obligated group and by hospital reflects debt at either \$226.9M or \$213.1M. The assumptions reflect \$275.9M in debt. Please reconcile.
  8. Please reconcile the 2022 operating income as submitted (\$20,730,000) in audited financials per the consolidating schedule (\$59,550,000). Please extend this reconciliation to the other years presented.

#### Table H

9. Top line revenues for 2024 and 2025 are presented to grow 3.5 percent and 2.9 percent over the previous year which is inconsistent with the corresponding assumptions for Table H. Please reconcile this discrepancy.
10. Operating income for 2025 thru 2028 averaged a -6 percent loss without performance improvements and averaged a 2.6 percent gain with performance improvements. Including the projected effects of inflation, the viability of UMCRH as presented, is dependent upon the realizability of savings inclusive of nearly 30 percent which is undefined. Please discuss this finding.

#### Tables J & K

11. Do these tables represent the incremental revenues and expenses of initiating the Level III NICU services or do they represent the total revenues and expenses of the Level II Special Care Nursery and Level III Neonatal Intensive Care Unit services?

Please submit four copies of the responses to above questions and requests for additional information within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter ([ruby.potter@maryland.gov](mailto:ruby.potter@maryland.gov)). If additional time is needed to prepare a response, please let me know at your earliest convenience.

As with the request itself, all information supplementing the request must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the

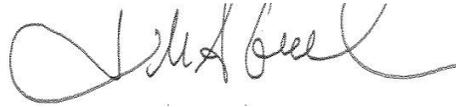


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penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.”

Should you have any questions regarding this matter, please contact me at (410) 764-3371.

Sincerely,



Jeanne Marie Gawel, Program Manager, CON

cc:

Wynee Hawk, Chief Certificate of Need  
Ruby Potter  
Paul Parker, Director, Center for Health Care Facilities Planning and Development  
Caitlin Tepe, AAG  
Alexa Bertinelli, AAG  
Sanmi Areola, PhD, Acting Health Officer, Prince George's County  
Thomas Dame, Esquire  
Alison B. Lutich, Esquire  
Bob Gallion, HSCRC

